

CERTIFIED MAIL

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(4) of the Internal Revenue Code.

The information submitted indicates that you were incorporated under the laws of the State of [REDACTED] on [REDACTED].

Your stated purposes are to provide maintenance, preservation and architectural control of the resident lots and common areas.

Income is primarily from dues and assessment of members. Expenditures are for clean-up and maintenance of the common areas, postage/supplies, insurance and bank charges.

Your activities primarily consist of maintenance and clean-up of the common areas and snow removal of private streets.

Your "Declaration of Covenants" state that the members are to keep all lots owned by them in good order and repair, including improvements, mowing the lawns, shrubbery, and external painting. In the event the lot owners shall fail to maintain premises and improvements, the Association shall have the right to repair and maintain the exterior maintenance of the buildings and any improvements erected thereon.

Section 501(c)(4) of the Internal Revenue Code provides for the exemption from Federal income tax of civic leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname	[REDACTED]	[REDACTED]					
Date	11/30/88	12/20/88					

Section 1.501(c)(4)-1(a)(2) of the regulations provides that an organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community.

In Revenue Ruling 69-280, 1969-1 C.B., 152, the Service held that an organization formed to provide maintenance of exterior walls and roofs of homeowner members in a development was not exempt as a social welfare organization. In denying exemption under Internal Revenue Code section 501(c)(4), the Service viewed the organization as operating primarily and directly for the benefit of its individual members rather than for the community as a whole.

In Revenue Ruling 74-99, 1974-1 C.B. 131, a non-profit organization formed to preserve the architecture and appearance of a housing development, and to own and maintain common green areas, streets, and sidewalks for use of all the development residents qualified for exemption; however, contributions to the organization were not deductible.

To qualify for exemption, a homeowners association must serve a "community" which bears a reasonable recognizable relationship to an area ordinarily identified as governmental. It must not conduct activities directed to the exterior maintenance of private residences, and the common areas it owns and maintains must be for the use and enjoyment of the general public.

Your activities are similar to that of the organization described in Revenue Ruling 69-280 because your main activity is directed to the exterior maintenance of private residences.

Based on the information submitted, you do not qualify as an organization exempt from Federal income tax under section 501(c)(4) of the Code.

In accordance with this determination, you are required to file Federal income tax returns on Form 1120. Your attention is called to Code section 528, which provides certain procedures by which qualifying homeowners associations may elect to be treated as a tax exempt organization. The enclosed Publication 588 describes the requirements for exemption under Code section 528.

[REDACTED]

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, laws and any other information to support your position as explained in the enclosed Publication 892. You will be contacted to arrange a date for a conference. The conference may be held at the Regional Office, or if you request, at any mutually convenient district office. If we do not hear from you within 30 days from the date of this letter, this determination will become final.

Sincerely yours,

[REDACTED]

[REDACTED]

District Director

Enclosure: Publication 892
Publication 588